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FILED

BY:

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

IN RE	CASE NO: 2:99cv 0077G
GENEVA STEEL COMPANY	EXAMINER'S SUMMARY REPORT
Debtor	Chapter 11

I, Alan M. Singer, the duly appointed Examiner in this Chapter 11 case, do hereby submit this summary report of my findings upon examination of the debtor as follows:

1. On February 16, 1999, upon Order of this Court, the Office of the United States Trustee for the District of Utah, Central Division, appointed me Examiner.

2. This Court's Order of my appointment as Examiner, among other directions, requires me to have conducted an appropriate investigation of the debtor concerning the viability of Geneva Steel Company for reorganization under Chapter 11 of the Bankruptcy Code, and concerning the need and feasibility for secured financing, with duties described in 11 U.S.C. § 1106(a)(3 and 4) limited to an investigation of the acts, conduct, assets, liability and financial condition of the debtor, the operation of the debtor's business and the desirability of the continuance of such business, continuation of the debtor as debtor in possession, and the filing of a statement of the investigation so conducted and the giving of testimony in connection therewith.

3. My examination included:

A. An investigation of the events leading to the filing of the debtor's petition for reorganization under Chapter 11 of the Bankruptcy Code;

B. Analysis of the debtor's capabilities for operating the business;

C. Examination of the debtor's 1997 Annual Report, Form 10-K and its 1997 proxy statement filed with the Securities and Exchange Commission, including the audited financial statements for the year ended September 30, 1997, its 5-year business plan, its forecast of near-term cash receipts and disbursements, its financing requirements, and sources of financing.

D Examination of transcripts of all proceedings held in the bankruptcy court and the United States District Court prior to my appointment, and attendance at all proceedings since such appointment.

E. In-depth interviews of Joseph A. Cannon, chief executive officer; Kenneth E. Johnsen, executive vice president, general counsel and secretary; Dennis L.Wanlass, vice president for finance and treasurer.

F. Interview of the debtor's operating management. Those persons included Timothy Clark, vice president for manufacturing; Henry Lung, assistant plant manager; Michael Curtis, assistant plant manager; Dennis Nolen, director of marketing and distribution; Carl Ramnitz, vice president for human resources; Dale Paulson, director of raw materials purchasing and traffic; Dennis Kujala, local president of the United Steel Workers of America, and Richard A. Brazzale, Division Manager of Mannesman Tubes and Trading who is responsible for sales.

G. Examination of the minutes of meetings of the board of directors;

H. Examination of publicly available information about the debtor's competitors and the steel industry; matters of the Department of Commerce and the International Trade Commission on matters pertaining to unfair imports and pricing by foreign competitors; and published articles about the debtor.

I. Brief confirming discussions with principals of two senior note holders, Congress Financial Corporation, The Blackstone Group, Bankers Trust Company, and Arthur D. Little, Inc.

3. To assist me in my investigation, I employed the services of James R. Powers, an expert in the operations of steel manufacturing companies. Mr. Powers, whose activities were under my direction and supervision, were focused on the examination of the debtor's manufacturing capabilities, plant assets, the labor force, marketing, and purchasing. Information resulting from Mr. Power's investigation is incorporated in the finding of this memorandum.

4. Findings

A. Acts, conduct and operations of the debtor's business

The debtor owns and operates, in Vineyard, Utah, an integrated steel mill that produces steel plate, sheet, pipe and slab steel used in a variety of industries, including oil and gas, storage, construction, and barge manufacturing.

The debtor sells its products to approximately 250 steel service centers, distributors, and end-users located in 39 states, Canada and Mexico.

The debtor employs 1,570 full-time workers, of whom approximately 310 are salaried and approximately 1,250 are union eligible. Substantially all of the debtor's hourly employees are represented by the United Steelworkers of America under a collective bargaining agreement.

Since acquiring the company, the debtor has spent approximately $637 million on plant and equipment to modernize, renovate and maintain its production facilities.

The debtor's near and long term business strategies are expected to increase its sales of plate products. They are intended to maximize the utilization of the debtor's production capabilities through operational, capital equipment, marketing and distribution improvements. Reduced employment costs and increased productivity are expected to be achieved through management and employee programs as well as effective incentive plans.

The history of the debtor indicates that the conduct of the debtor's business has been prudently performed at all times.

Nonetheless, the debtor reported losses in some years of its history, including each of the fiscal years ended September 30, 1996, 1997 and 1998. Though earnings before interest, taxes, depreciation and amortization have been substantial, interest payments on senior notes, depreciation, and write downs of impaired assets also have contributed to the report of net losses.

More significantly, those losses were primarily attributable to lower shipments and declining prices resulting from increases of imports into the debtor's markets in those years as well as certain earlier years. Also, extraordinary costs were incurred in 1996 from power failures that affected many industries throughout Utah. In 1997 and 1998, losses also were realized from productivity disruptions resulting from the installation of new equipment.

B. Liability and financial condition

The debtor's financial losses severely strained its cash flow and liquidity and precipitated the filing of its petition for reorganization The debtor's line of credit with Citicorp Group has reached its maximum limits. The debtor currently owes the Citicorp Group approximately $73 million, though such loan is oversecured by the debtor's accounts receivable and inventories values.

To alleviate the strain on cash flow, the debtor, in 1998, implemented aggressive cost cutting programs. Administrative costs were reduced 22%, and spending on products and services for operations declined significantly. A business information system, recently installed, is expected to reduce employment costs and result in other significant cost savings

The debtor entered into a three-year agreement in November 1998 with Mannesmann Pipe and Steel whereby Mannesmann now markets the debtor's products throughout the continental United States with the debtor's sales force. Mannesmann previously marketed the debtor's products in several midwestern states and in other regions of the United States. Mannesmann purchases and pays for the debtor's finished inventory when assigned to a particular order. This arrangement is expected to improve the debtor's liquidity by up to $25 million when fully implemented during 1999.

It is expected that the Mannesmann arrangement significantly reduces working capital requirements and improves the debtor's liquidity, which will be approximately $20 to $25 million when fully implemented.

To conserve achieve immediate relief of demands for cash the debtor has reduced operations of its blast furnaces and coke ovens. It is optimizing production efficiency by, among other things, reducing shifts, idling certain other equipment and altering production scheduling. These actions will result in future temporary increased costs as orders from customers and production of products increase.

C. Tangible assets

By North American industry standards and perhaps by worldwide standards, the debtor's physical plant and equipment can be considered superior for the manufacture of plate and sheet commodity products.

According to the report prepared by Arthur D. Little, Inc., the debtor's facilities and operations cause it to be the lowest cost producer of sheet and plate products in North America when measured against its competitors for those products.

The primary manufacturing area, which includes coke ovens, blast furnaces, ladle metallurgy, and continuous caster is considered to be excellent equipment. This area accounts for eighty per cent of the debtor's manufacturing costs (including raw materials purchases).

The secondary manufacturing area, which includes rolling and finishing, is considered to be adequate. They are a bottleneck affecting productivity and quality. This evaluation can be improved to a rating of good upon the completion of modernization improvements that are believed would cost approximately $50 million at current equipment price levels. Results of such improvements would include significantly reduced operating costs, improved quality, reduction of scrap, and increased throughput potential.

D. Viability for reorganization.

The debtor's management team, from top to bottom, and its work force have outstanding capabilities to enable the debtor to become a leading manufacturer in its segment of the steel making industry.

A reorganization of the liabilities of the debtor, particularly those involving the senior note holders, will result in a debt structure that will significantly enhance liquidity.

As noted, the debtor already is a low cost producer. Its actions to further reduce costs for the near term and strategically for the long term, and its capital improvement program, stage the debtor for the capability to perform in the future at levels of profitability that will be attractive to all of its constituencies. Future potential investors for new additional funds to be required will find the prospective increased profit levels and strong balance sheet to be attractive for their investment decisions.

It is the Examiner's belief that the Congress Financial Corporation proposal to the debtor is reasonable and that it is in line with debtor in possession financing of other companies in Chapter 11.

The debtor needs the proposed debtor in possession financing. Without that financing the debtor will not survive. It already has been demonstrated in the proceedings of this case that the financing is feasible and will enable the debtor to be viable for reorganization. It should be noted that Debtor in possession financing is not a permanent state of affairs. It will be replaced with a new, more desirable loan structure upon implementation of a plan of reorganization.

E. Desirability of the continuance in business by the debtor and continuation of the debtor as debtor in possession.

The debtor is a leading producer of steel products in the steel industry. It is an important industry in the state of Utah. It provides high quality products to its customers. It employs a significant number of men and women in the community. Its operations account for many additional employees of its vendors and service suppliers. It is a responsible member of the community meeting its obligations for compliance with laws and regulations. Its future performance will infuse large payments of taxes to Federal, state, and local taxing authorities.

The loss of the business of the debtor would have a major negative impact on the community, its employees, vendors, and customers.

It is desirable that the debtor continue in business. The debtor can achieve an acceptable plan of reorganization in a short period.

It should therefore continue as a debtor in possession to develop and implement a plan of reorganization.

It is the Examiner's expectation that the debtor it will be a stronger company as the result of its organization than it has been since its inception,

It is noted by the Examiner that the debtor has reached out for the most competent, reputable advisors in the country to provide expert guidance pertaining to operations improvements, financing, and this Chapter11 proceeding.

Virtually all of the debtor's constituencies support the debtor in its efforts to be allowed debtor in possession financing in the Chapter 11 proceeding. Similarly competent and reputable advisors, also, have guided those constituencies.

The Examiner's own experience and judgment affirm that the proposed financing by Congress Financial Corporation is one that should be approved by this Court.

Respectfully submitted,

Alan M. Singer